

**HAMILTON COUNTY SOLID
WASTE COMMISSION**

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2013

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Hamilton County Solid Waste Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Troy Hassebrock	Chairperson	City of Blairsburg
Lendall Mechaelsen	Vice Chairperson	City of Kamrar
Wes Sweedler	Member	Hamilton County
Dale Graham	Member	City of Ellsworth
Tadd Stupp	Member	City of Stanhope
Dennis Frayne	Member	City of Williams
Carlene Enderson	Member	City of Randall
Eugene Gray	Member	City of Webster City
Mickey Walker	Member	City of Jewell
Cherie Ferguson	Financial Secretary	

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Certified Public Accountants

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Independent Auditor's Report

To the Members of the Hamilton County
Solid Waste Commission:

Report on the Financial Statements

We have audited the accompanying financial statement of the Hamilton County Solid Waste Commission as of and for the year ended June 30, 2013, and the related Notes to financial Statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Hamilton County Solid Waste Commission as of June 30, 2013, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis on pages 4 through 7, has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 20, 2014 on our consideration of the Hamilton County Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hamilton County Solid Waste Commission's internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

May 20, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Hamilton County Solid Waste Commission provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Commission is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2013 FINANCIAL HIGHLIGHTS

- Operating receipts increased 12%, or approximately \$117,000, from fiscal year 2012 to fiscal year 2013.
- Operating disbursements increased 26%, or approximately \$248,000, from fiscal year 2012 to fiscal 2013.
- The Commission's cash balance decreased 10%, or approximately \$141,000, from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

The Commission has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within the annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Commission's cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Commission's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Commission's cash basis financial position by analyzing the increase and decrease in the Commission's cash balance.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Commission. Operating disbursements are disbursements paid to operate the transfer station and recycling program. Non-operating receipts and disbursements include grants, farm income, interest on investments, equipment purchases and collection center engineering and construction costs. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2013 and June 30, 2012 is presented below:

Changes in Cash Balance		
	Year ended June 30,	
	2013	2012
Operating receipts:		
Gate charges	\$ 952,025	833,568
Assessments	161,493	161,493
Scrap sales	5,996	10,235
Other	6,428	3,220
Total operating receipts	1,125,942	1,008,516
Operating disbursements:		
North Central - Gate	646,703	486,582
North Central - Buy In/Assessment	161,493	161,496
Other	404,746	316,501
Total operating disbursements	1,212,942	964,579
Excess of operating receipts over operating (disbursements)	(87,000)	43,937
Non-operating receipts (disbursements):		
Regional collection center grant	10,000	-
Farm income	1,899	-
Interest on investments	9,597	12,864
Equipment	(67,776)	(6,000)
Collection center engineering and construction	(7,828)	(41,688)
Net non-operating receipts (disbursements)	(54,108)	(34,824)
Change in cash balance	(141,108)	9,113
Cash balance beginning of year	1,490,913	1,481,800
Cash balance end of year	\$ 1,349,805	1,490,913

Cash Basis Fund Balance

Restricted for:

Postclosure reserve	\$ 923,256	941,547
Recycling reserve	28,372	31,834
Transfer station closure	22,291	22,259
Regional collection center closure	5,000	5,000
Total restricted cash basis fund balance	978,919	1,000,640
Unrestricted	370,216	490,273
Total cash basis fund balance	<u>\$ 1,349,135</u>	<u>1,490,913</u>

In fiscal year 2013, operating receipts increased \$117,426 or 12%, from fiscal year 2012. Operating disbursements increased \$248,363, or 26%, from fiscal year 2012. The main reason for these changes is that there were three major demolition projects in the county in the past fiscal year.

A portion of the Commission's cash balance, \$978,919 (73%), is restricted for postclosure care, recycling reserve funds, transfer station and regional collection center closure. State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining cash balance, \$370,886 (27%), is unrestricted and can be used to meet the Commission's obligations as they come due. The restricted cash balance decreased approximately \$21,721, or 2%, during the year. The decrease was due to expenditures from the post closure account for engineering services and other related expenses. Unrestricted cash balance decreased approximately \$120,057, or 24%, during the year due to purchase of a trailer, pay-out of the City of Stratford and some timing differences with collections of fees for demolition.

ECONOMIC FACTORS

The current condition of the economy in the state continues to be a concern for Commission members. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities and equipment require constant maintenance and upkeep for safety and other regulatory compliance issues.
- Technology continues to expand and current technology becomes outdated, presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure accounts costs are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- User rates/charges/volume with North Central IA Regional Solid Waste Agency is subject to change in the near future. Effective July 1, 2014, the unit of measure will change to \$35/ton. Management anticipates this will have a positive effect on the commission's cash flows.

BUDGETARY AMENDMENTS

There were no budgetary amendments this past fiscal year.

LONG-TERM DEBT

At June 30, 2013, the Commission had no long-term debt outstanding.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens and customers with a general overview of the Commission's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hamilton County Solid Waste Commission, Webster City, Iowa 50595

Financial Statement

Hamilton County Solid Waste Commission

Exhibit A

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

Year ended June 30, 2013

Operating receipts:

Gate charges	\$ 952,025
Member assessments	161,493
Scrap sales	5,996
Miscellaneous	6,068
Total receipts	<u>1,125,582</u>

Operating disbursements:

Salaries and benefits	195,564
North Central - Gate	646,703
North Central - Buy In/Assessment	161,493
Engineering fees	1,304
Legal, accounting and auditing fees	12,625
General and liability insurance	10,930
Office expenses and supplies	8,764
Utilities	9,464
Telephone	1,500
Commission fees	2,446
Equipment rental	2,165
Building supplies and repair	5,084
Diesel, gasoline and oil	39,880
Tire removal	2,559
Vehicle expense	35,460
Sales tax	9,148
Postclosure	29,705
Stratford prorata share	36,349
Miscellaneous	1,439
Total operating disbursements	<u>1,212,582</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(87,000)</u>

Hamilton County Solid Waste Commission

Exhibit A

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

Year ended June 30, 2013

Non-operating receipts (disbursements):

Interest on investments	9,597
Regional collection center grant	10,000
Farm income	1,899
Equipment	(67,776)
Collection center engineering and construction	(7,828)
Net non-operating receipts (disbursements)	(54,108)

Change in cash balance	(141,108)
Cash balance beginning of year	1,490,913
Cash balance end of year	<u>\$ 1,349,805</u>

Cash Basis Fund Balance

Restricted for:

Postclosure reserve	923,256
Recycling reserve	28,372
Transfer station closure	22,291
Regional collection center closure	5,000

Total restricted cash basis fund balance 978,919

Unrestricted 370,886

Total cash basis fund balance \$ 1,349,805

See notes to financial statement.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The Hamilton County Solid Waste Commission was formed in 1974 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to provide for the economic disposal, or collection and disposal, of all solid waste produced or generated within the jurisdiction of the units of government which are members of the Commission.

The governing body of the Commission is composed of one representative from each member. The members of the Commission include Hamilton County and the cities of Blairsburg, Ellsworth, Jewell, Kamrar, Randall, Stanhope, Webster City and Williams. Each member of the Commission has one vote.

The Commission ceased landfill operation during 2007 and has operated as a transfer station since that time.

A. Reporting Entity

For financial reporting purposes, the Hamilton County Solid Waste Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2013

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing service and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and the results of operations of the Commission in accordance with U.S. generally accepted accounting principles.

D. Net Position

Funds set aside for payment of closure and postclosure care are classified as restricted.

(2) **Cash and Investments**

The Commission's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2013

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the Commission is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$11,394, \$10,212, and \$9,403 respectively, equal to the required contributions for each year.

(4) Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability to employees for earned vacation and sick leave at June 30, 2013 was \$1,682. This liability has been computed based on rates of pay in effect at June 30, 2013.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2013

(5) Other Post-Employment Benefits (OPEB)

Plan Description – The Commission operates a single-employer health benefit plan which provides medical/dental benefits for employees and retirees and their spouses. There are 3 active members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/dental benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Commission. The Commission currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Commission and plan members are \$706 for single coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2013, the Commission contributed \$19,418 and plan members eligible for benefits contributed \$6,473 to the plan.

(6) Closure and Postclosure Care Costs

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills which receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2013

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of the estimated total landfill capacity used that year. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in the postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

The costs for the Commission as of June 30, 2013 have been estimated to be \$886,365 for postclosure care.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has accumulated resources to fund these costs and, at June 30, 2013, assets of \$923,256 are restricted for these purposes, of which \$0 is for closure and \$923,256 is for postclosure care. The amount is reported as restricted cash balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

(7) Transfer Station Closure Care

To comply with state regulations, the Commission is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Commission is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit transfer station owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2013

The total closure care costs for the Commission as of June 30, 2013 have been estimated at \$10,714. The Commission has fully funded the costs and, at June 30, 2013, assets of \$22,291 are restricted for these purposes and are reported as restricted cash balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Balance.

(8) Regional Collection Center Closure Care

To comply with state regulations regarding the Regional Collection Center (RCC), the Commission is required to obtain and submit a financial assurance instrument to the department for the storage of household hazardous materials. The financial assurance instrument shall provide for monetary funds to properly dispose of household hazardous wastes, universal wastes, hazardous waste from conditionally exempt small quantity generators, and any other solid wastes that may remain at a sited due to the owner's or operator's failure to properly close the site within 30 days of permit suspension, termination, revocation, or expiration.

As of June 30, 2013, there is insufficient information available to obtain an accurate estimate for the cost to close the RCC facility, therefore in accordance with Subrule 123.13(5)B, Hamilton County Solid Waste Commission is applying an initial closure cost of \$5,000, as it will be serving a population of less than 35,000. The Commission is currently in the process of obtaining a financial assurance instrument for the cost to close the RCC facility.

(9) Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. As June 30, 2013, the Commission had no unspent tonnage fees.

(10) Risk Management

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2013

managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-ending operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Commission's contributions to the Pool for the year ended June 30, 2013 were \$10,777.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also insured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2013

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

(11) North Central Iowa Regional Solid Waste Agency Agreement

The Commission joined the North Central Iowa Regional Solid Waste Agency (NCIRSWA) through a 28E agreement, effective July 1, 2005, to provide for the disposal of all solid waste and recyclable materials generated within the Commission's jurisdiction. The agreement requires a buy in payment of \$1,481,220 to be paid over fifteen years.

During the year ended June 30, 2013, the Commission paid \$94,308 toward the buy in. As of June 30, 2013, the Commission's remaining buy in is \$330,789. The agreement also requires an assessment of \$4.50 per capita, based on the most recent census. During the year ended June 30, 2013, the Commission paid \$67,185 from its assessment.

The Commission also pays NCIRSWA a gate charge of \$9 per cubic yard for acceptance of solid waste. During the year ended June 30, 2013, the Commission paid \$646,703 of gate charges.

Hamilton County Solid Waste Commission

Notes to Financial Statements

June 30, 2013

(12) Customer Concentration

The Commission derived approximately 71.8% of its gate charges for the fiscal year ended June 30, 2013 from the Trash Man. The loss of this major customer would have a material adverse effect on the Commission.

(13) Subsequent Events

Subsequent events have been evaluated through May 20, 2014, which is the date the financial statements were available to be issued.

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the Hamilton County
Solid Waste Commission:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statement of Hamilton County Solid Waste Commission as of and for the year ended June 30, 2013, and the related notes to financial statement, and have issued our report thereon dated May 20, 2014. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Hamilton County Solid Waste Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Hamilton County Solid Waste Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Hamilton County Solid Waste Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Hamilton County Solid Waste Commission's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items I-A-13 and I-B-13 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hamilton County Solid Waste Commission's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Hamilton County Solid Waste Commission's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hamilton County Solid Waste Commission's Responses to Findings

The Hamilton County Solid Waste Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The Hamilton County Solid Waste Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Hamilton County Solid Waste Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

May 20, 2014

Hamilton County Solid Waste Commission

Schedule of Findings

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person in the office has control over each of the following areas for the Commission:

- (1) Accounting system – record keeping receipts and financial reporting.
- (2) Receipts – The responsibilities for maintaining detail accounts receivable records are not segregated from collections and records posting.
- (3) Investments – investing, recording and custody. An independent person does not inspect the investments, verify recorded investment earnings for accuracy or reconcile earnings with those recorded in the accounting records.
- (4) Bank reconciliations – preparing, reconciling and reviewing.
- (5) Cash – signing checks, recording and handling cash. All employees have access to the change drawer.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Commission members, to perform independent reviews and verifications.

Response – We recognize our limitations; however, it is not fiscally responsible to add additional staff. The Transfer Station Manager reviews deposits and disbursements with the Secretary/Treasurer. The Board also reviews all disbursements and receipts at the monthly board meetings. These transactions are properly approved and if questioned, actual receipts are reviewed.

Conclusion - Response accepted.

Hamilton County Solid Waste Commission

Schedule of Findings

Year ended June 30, 2013

- I-B-13 Financial Reporting – During the audit, we noted that the Commission’s accounting records were recorded by the use of several different accounting processes. This resulted in difficulty in reconciling the bank the to the financial statements and reviewing the detailed transactions of the Commission.

Recommendation -The Commission should integrate all accounting reporting processes into one accounting system. Currently, the Commission uses QuickBooks , Excel and P-DOX to each record some transactions, but not one process records all transactions.

Response – We anticipate upgrading our computer software and consolidating the accounting processes in the near future.

Conclusion – Response accepted.

- I-C-13 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The Hamilton County Solid Waste Commission does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes and statements of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in and Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statement and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the

Hamilton County Solid Waste Commission

Schedule of Findings

Year ended June 30, 2013

responsibility of the Commission's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – The Commission feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

II-A-13 Questionable Disbursements – Late fees were charged to disbursements which included past due amounts. Late fees do not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

Recommendation – The Commission should ensure disbursements meet the test of public purpose.

Response – The Commission will ensure disbursements meet the test of public purpose.

Conclusion – Response accepted.

II-B-13 Travel Expense – No expenditures of Association money for travel expenses of spouses of Association officials or employees were noted.

II-C-13 Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not. However, documentation of publication was not retained for one of the monthly meetings. Commission minutes are not being published within 20 days as required by Chapter 28E.6(3) of the Code of Iowa.

Hamilton County Solid Waste Commission

Schedule of Findings

Year ended June 30, 2013

Recommendation – The Commission should develop procedures to ensure a summary of the proceedings are submitted for publication to the newspaper within twenty days following the adjournment of the meeting, as required by the Code of Iowa.

Response – We have developed procedures to ensure a summary of the proceedings are submitted for publication to the newspaper within twenty days following adjournment of the meeting, after our last audit was completed. These procedures were implemented during the current period under audit, so there were still some months still published late. This should be corrected in the subsequent audit.

Conclusion – Response accepted.

- II-D-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted.
- II-E-13 Solid Waste Fees Retainage - No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.
- II-F-13 Financial Assurance – The Commission has elected to demonstrate financial assurance for landfill closure and postclosure care, transfer station and regional collection center closure care by establishing local government dedicated funds as provided in Chapter 567-113.14(6) of the Iowa Administrative Code.

Financial assurance is demonstrated as follows:

	Regional Collection Center	Transfer Station Closure	Landfill Postclosure Care
Total estimated costs for closure and postclosure care	\$ 5,000	10,714	886,365
Amount Commission has restricted for closure and postclosure care at June 30, 2013	\$ 5,000	22,291	923,256

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. No deposit was required during the year ended June 30, 2013 because the Commission has restricted and reserved sufficient funds to pay the total estimated costs for closure and postclosure care.